

Protecting the Vulnerable:

The Design and Implementation of Effective Safety Nets



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Safety Nets in Response to Crises: East Asia

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Pre-Crisis East Asia

- ♦ Tremendous export-led growth from 1970s on;
- ♦ Populations are largely agricultural, informal sector workers, growing urban concentrations. Most have young populations (but will age rapidly);
- ♦ Limited social insurance and public safety nets;
 - ↻ Reliance on family and informal safety nets;
 - ↻ Programs had limited coverage and benefits
 - ❖ Public works
 - ❖ Limited in-kind assistance: health, education, nutrition
 - ❖ No unemployment insurance (except Korea), limited pension coverage

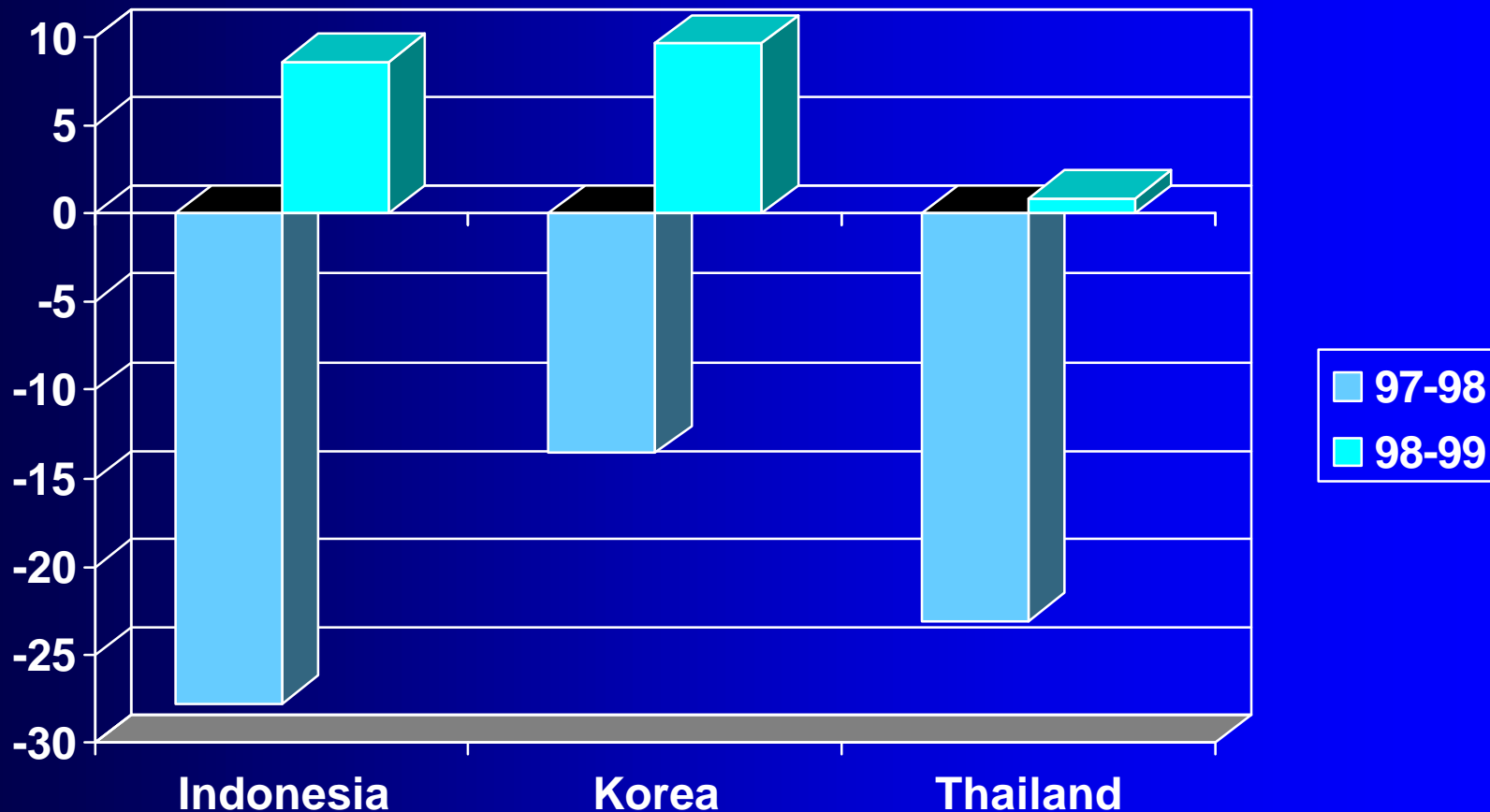


Indicators Before and After the Crisis

Indicator	Indonesia	Korea	Malaysia	Philippines	Thailand
Annual per capita GDP growth					
1990-96	5.7	6.3	7.0	0.4	7.0
1998	-14.4	-6.6	-9.3	-2.6	-10.8
Annual per capita private consumption growth					
1990-96	6.8	6.5	5.4	1.0	6.4
1998	-4.7	-10.2	-12.6	1.3	-15.1
Annual inflation					
1990-96	8.8	6.0	4.2	9.8	5.0
1998	57.6	7.5	5.3	9.7	8.1
Poverty incidence					
1996	11.3	9.6	8.2	37.5	11.4
1998	20.3	19.2			13.0
Unemployment					
1996	4.9	2.0	2.5	8.6	1.8
1998	5.5	6.8	3.2	10.1	4.5
Government spending (1998 to 1997 ratio)					
Education	72.3	94.2	86.3	102.6	98.7
Health	87.8	96.8	90.3	97.6	89.3



Percentage Change in Real Earnings Per Worker, 1997-1999



Household Coping

Questions:

- ◆ Were households able to smooth consumption?;
- ◆ Did informal safety nets help cope with crisis?;



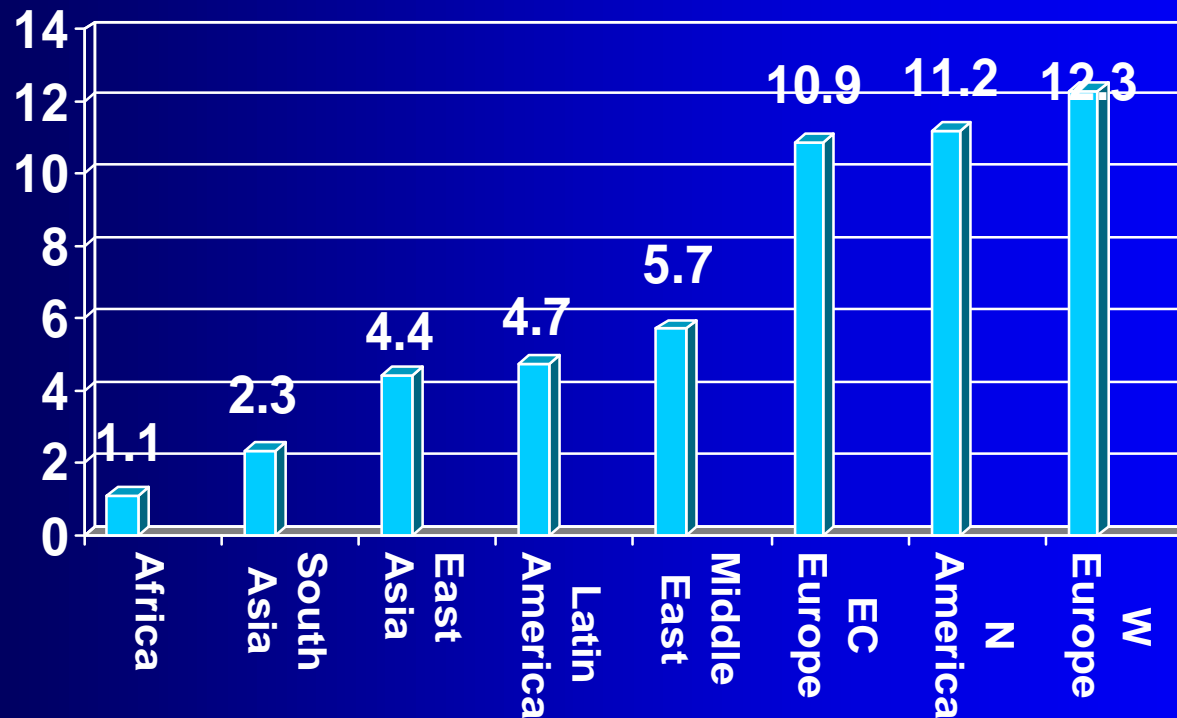
Household Coping

- ♦ Reduced nonessential spending, e.g., on recreation, clothing, household furnishings (Korea, Indonesia);
- ♦ Mixed pattern on health and education spending – big declines in Indonesia, smaller declines in Korea and Thailand;
- ♦ Increased reliance on informal transfers – Thailand, Indonesia, Philippines;



Average Public Spending on Social Security and Welfare ('72-'97)

Percent of GDP



Government Response

Program	Indonesia	Korea	Malaysia	Philippines	Thailand
Food security	N (targeted cheap rice)			E (rice)	
Cash transfers		N (Temporary Livelihood Protection; pension assistance)			E (needy families; pension assistance)
Public works	E,N	N	E	E	E,N
Social funds	N (community based)				N
Health	E (drug subsidies)				N (Health Card)
Education	N (scholarships)				E (scholarships, fees, lunch program)
Unemployment assistance		E (UI)	E (severance pay)		E, N (severance pay increased; severance pay fund)

E = Expanded program(s)

N = New program (s)



Government Response: Examples

- ◆ Korea

- ↻ Expanded unemployment insurance;
- ↻ Introduced and scaled-up public works;
- ↻ Introduced cash transfer (livelihood protection)

- ◆ Indonesia

- ↻ (Targeted) rice subsidies;
- ↻ Expansion of public works;
- ↻ Introduced school scholarships and block grants to schools;
- ↻ Targeted health care subsidies (drugs);
- ↻ Community block grants and social funds



Government Response: Examples

- ◆ Thailand
 - ↻ Expanded severance pay for unemployed;
 - ↻ Expanded public works;
 - ↻ Introduced subsidized health care (Low Income Card);
 - ↻ Small expansion of cash transfers;
 - ↻ Community capacity building through microcredit, social funds



Government Safety Net Response

- ◆ Safety nets programs expanded or were created in all crisis countries, spending increased (aided by donors);
- ◆ All countries expanded or created public works;
- ◆ Slow policy response in some cases, and uncoordinated interventions, e.g.,
 - ↻ Korea's Temporary Livelihood Protection reached less than 10% of new poor by 1999;
 - ↻ Public works administered by multiple ministries.



Responding to Crises: Lessons for Safety Nets

- ◆ Information is critical – monitoring and evaluation, routine data collection, policy analysis;
- ◆ Pre-crisis planning is highly desirable
 - ↻ Assess risks, target populations, financing and instruments;
 - ↻ Safety nets should be in place before crisis occurs
- ◆ Safety nets should build on existing programs
 - ↻ Keep it simple;
 - ↻ Prevent long-term deprivation -- basic services, employment
- ◆ Programs should be transparent, accountable, and coordinated

